

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-176-C - ORDER NO. 93-808 ✓

SEPTEMBER 1, 1993

IN RE: Request of Southern Bell Telephone & Telegraph Company for Revisions to its General Subscriber Service Tariff and Private Line Service Tariff to Introduce Area Plus Service (TN 93-28).) ORDER) APPROVING) AREA PLUS) PLAN AND) CLASSROOM) COMMUNICATION) SERVICE
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This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on February 16, 1993, by Southern Bell Telephone & Telegraph Company (Southern Bell or the Company) for approval of revisions to its General Subscriber Service Tariff and Private Line Service Tariff. The purpose of this filing is to introduce Local Exchange Optional Calling Services called Area Plus Service (the Plan or APS Plan) throughout its service area. Additionally, with this filing, the Company is proposing to obsolete existing Optional Calling Plans which are only available in selected exchanges in the current form of Optional Measured Service. Customers subscribing to those existing calling plans will be grandfathered, and will be allowed to continue their current service, until they move to a different location.

By letter dated February 17, 1993, the Commission's Executive Director instructed the Company to publish a prepared Notice of

Filing, one time, in a newspaper of general circulation in the areas affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file the appropriate pleadings. The Company submitted affidavits indicating that it had complied with these instructions. Petitions to Intervene were filed by Business Telcom, Inc., AT&T Communications of the Southern States, Inc. (AT&T), MCI Telecommunications Corporation (MCI), LDDS of Carolina, Inc.(LDDS), the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and the South Carolina Telephone Coalition (the Coalition).

On June 9, 1993, a public hearing concerning the matters asserted in the Company's Application was held in the Commission's Hearing Room with the Honorable Henry G. Yonce, presiding. Southern Bell was represented by Harry M. Lightsey, III, Esquire, and William F. Austin, Esquire. The Intervenor, Business Telcom, Inc. was not present. AT&T was represented by Francis P. Mood, Esquire, and Roger A. Briney, Esquire; MCI was represented by Martha McMillin, Esquire, and D. Christian Goodall, Esquire; LDDS was represented by John M. S. Hoefer, Esquire, and B. Craig Collins, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; the Coalition was represented by M. John Bowen, Jr., Esquire; and the Commission Staff was represented by F. David Butler, General Counsel.

The Company presented the testimony of Joseph A. Stanley, Jr. AT&T Communications of the Southern States, Inc. presented the testimony of Mike Guedel. MCI and LDDS of Carolina, Inc. jointly presented the testimony of Joseph Gillan. The Commission Staff presented the testimony of Gary E. Walsh, Assistant Director of the Utilities Division for the Commission.

Upon consideration of the Company's Application, the evidence presented at the hearing, and the applicable law, the Commission believes that the Application of the Company should be granted as filed based on the reasoning as set forth below.

The Area Plus Plan is an optional 40-mile 7-digit local calling plan. A residence customer will pay \$8.00 a month for an access line and 2¢ per minute for any calls in that customer's Basic Service Area. The Basic Service Area is the same as a customer's current flat rate area for each exchange. Usage charges for calls in the Basic Service Area are capped at \$15.00 for residence customers. In addition, customers purchasing Area Plus will be able to make 7-digit calls to an area out to 40 miles from their exchange (called the Expanded Service Area) at a rate of 11¢ a minute. During the period from 8 p.m. to 8 a.m. and all day Saturdays, Sundays, and holidays, both the rates in the Basic Service Area and the Expanded Service Area are discounted by 50%. Residence customers may also purchase two additional features. For an additional \$2.00 per month, a 20% discount will be applied to all usage charges. For a flat rate of \$30.00 per month (in addition to the \$8.00 charge for the access line), the customer

can have unlimited 7-digit calling in both the Basic Service Area and the Expanded Service Area.

The business options in Area Plus are very similar to those for the residence customer. The charge for the access line is \$33.00. The same usage charges apply in both the Basic Service Area and the Expanded Service Area. The same 50% time-of-day discount will apply. The 20% discount is available for a monthly charge of \$3.00. The unlimited calling package is not available to business customers. However, for a \$20.00 monthly charge, the business customer can purchase a 50% discount to be applied to all usage charges, no matter what time of day they are incurred. Neither residents, nor business customers will be charged a service charge when they initially opt into Area Plus, or if they opt out after trying the Plan.

Southern Bell presented the testimony of Joseph A. Stanley, Jr. to support its Plan. Stanley testified that Area Plus Service was designed to meet those customer and economic development needs for expanded local calling areas which have been expressed in Extended Area Service (EAS) petitions to this Commission, in bills before the South Carolina Legislature, and in customer contacts with Southern Bell employees throughout the State. Stanley testified that the plan provides Southern Bell's customers with an Optional Plan consisting of several options which would allow the customers to customize local exchange service to meet their needs. The Plan, as filed, according to Stanley, would provide a greatly reduced rate to customers in each of the areas which are currently

requesting EAS service. Also, according to Stanley, the Area Plus Plan will address, except in those instances where counties are divided by a LATA boundary, the county-wide and county seat calling concerns and needs expressed by members of the Legislature and county and local officials. It should be noted that the Plan includes intraLATA interstate traffic. Area Plus Service offers customers a larger 7-digit calling area, as well as rate reductions in both the monthly line rate, and the usage rate in the expanded local area. Area Plus, as presented, is purely optional, and will be available to both residence and business customers statewide. Stanley testified that in his opinion, the adoption of the Area Plus Plan by this Commission was in the public interest.

Staff witness Gary Walsh also testified in favor of the Plan. Walsh, the Assistant Director of the Utilities Division, testified that since 1987, he had been responsible for the review and preparation of cost studies and community-of-interest studies involving a tremendous number of EAS requests. According to Walsh, the EAS requests generally have very similar characteristics, in that a small urban community or pocket of customers requests flat rated toll-free calling between their community and a larger community. Generally, when the Commission orders that a ballot process be conducted, these requests have failed due to a lack of interest for calling from the larger community back to the smaller community. In addition, Walsh found many cases where the majority of individuals in the community

requesting EAS had voted the proposals down. Walsh further stated, that although the Area Plus Service Tariff provides a feature of being an optional service, he feels that the service will relieve a tremendous amount of EAS pressure. In addition, the Plan would provide the relief sought by a small pocket of customers without placing a financial hardship on their neighbors. Walsh further noted that in South Carolina today, there are two similar plans in effect in the Horry and Georgetown areas, and in the Hilton Head and Bluffton areas. Walsh found that the approval of these plans in these areas has eliminated the constant request for toll-free calling between communities in the areas. Further, the Commission has recently ordered United Telephone Company and Hargray Telephone Company to implement a 2-County Plan in Beaufort/Jasper Counties providing measured 7-digit dialing prior to July 1, 1994.

Walsh further testified that he believed the Area Plus Plan would be of great benefit to a specific sector of Southern Bell ratepayers in South Carolina. According to Walsh, there is a tremendous interest in South Carolina for expanded local calling areas, as can be seen by the numerous petitions for EAS currently being processed by the Commission. Further, Walsh affirmed that there have been attempts to mandate expanded local calling through the Legislative process, therefore, Walsh recommended that the Commission support and adopt Southern Bell's Area Plus Service Tariff, as the Plan will provide relief to the sector of the customers of Southern Bell wanting expanded local calling, while

not penalizing those in the community who choose not to participate in the tariff filing.

Further, the Coalition did not present a witness, but stated, for the record, that the Coalition supports the Commission's adoption of the Area Plus proposal as filed.

Mr. Stanley for Southern Bell stated that Southern Bell also proposed to cancel the Tailored Local Calling (TLC) service which is currently being trialed in the Spartanburg, Cowpens, Layman, and Pacolet exchanges. Area Plus is similar to the TLC Plan, according to Stanley. TLC customers, under Southern Bell's Plan, will be able to change their existing service to a flat rate or Area Plus Service without paying a service order charge. Stanley also stated, that because Area Plus Service combines the features of Expanded Local Service with usage base pricing, he believes that it is a suitable replacement for many of Southern Bell's existing optional local service callings. Therefore, Southern Bell proposes to obsolete Connection Calling Plans, Optional Measured Service, and most of the Premium Optional Calling Service offerings with this filing. According to Stanley, existing subscribers to these services will be grandfathered at their current locations, although the services will be deleted when the subscribers move.

Witness Joseph Gillan testified on behalf of MCI and LDDS of Carolina, Inc. Mike Guedel testified on behalf of AT&T. Both witnesses testified in opposition to the Plan. Among other things, both witnesses testified that the Area Plus Plan destroys

the intraLATA competition recently adopted by the Commission in Order No. 93-462. The witnesses testified that Area Plus eliminated competition, since the cost for an Area Plus call is actually less than the access charges charged the interexchange carriers (IXC's). Further, both witnesses stated that the Area Plus Plan profoundly affected revenues seen from the business community. Stanley testified that rates would be lowered by \$11.5 million dollars. Gillan testified that of the figure, \$.4 million is a rate reduction that is going to be provided to residential customers, and \$11.1 million dollars is going to be a rate reduction for business customers.

The Commission has examined this matter and believes that the benefits of the Area Plus Plan as filed by Southern Bell and as supported by witnesses Stanley and Walsh and the Coalition, far outweigh the potential problems cited by the Intervenors in this case. Clearly, according to the cross-examination of Staff witness Walsh, a 40-mile radius covers all EAS requests formerly and presently presented to the Commission. Further, the Plan is an optional plan. Only those persons who wish to participate in the Plan would do so. For these reasons, we believe that the Plan should be adopted as filed by the Company, and, for the reasons stated above, we believe adoption of the Plan is in the public interest.

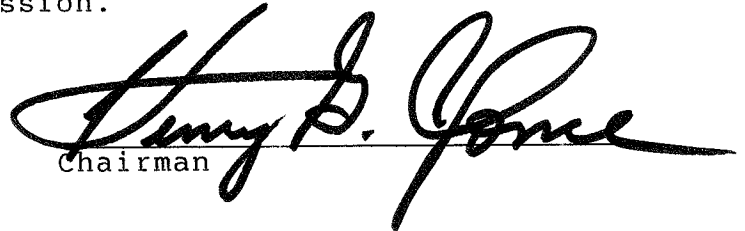
It should also be noted that on March 4, 1993, Southern Bell filed an additional request for approval of revisions to its General Subscriber Service Tariff. The purpose of the filing was

to introduce Classroom Communication Service (T.N. 93-46), which provides local access for in-classroom voice and data communications. Classroom Communication Service is intended as a communications link to be placed in classrooms to enhance the education process by allowing teachers to conduct classes at multiple locations and to access various data bases. The monthly rate and applicable usage charges for the proposed Area Plus residence individual line will be applicable to the service. The Commission believes that adoption of this tariff revision is also in the public interest and that the requested effective date of Classroom Communication Service should coincide with that of the Area Plus Plan.

IT IS THEREFORE ORDERED THAT:

1. Both the Area Plus Plan and Classroom Communication Service are approved as filed, effective November 1, 1993.
2. Tailored Local Calling, Connection Calling Plans, Optional Measured Service, and Premium Optional Calling Service offerings may be eliminated, although existing subscribers to these services may have these services continued only at their present locations.

3. That this Order shall remain in full force and effect until further Order of the Commission.


Chairman

ATTEST:


Executive Director

(SEAL)

DISSENT OF COMMISSIONER ROWELL: I respectfully dissent from the majority opinion in this case, and believe that Southern Bell should withdraw the tariff and resubmit it at a later date. A review of the figures submitted by the Company shows that of the \$11.5 million dollars lost revenue projected by the Company, 95% of the benefits go to businesses, when residential customers bring about most EAS pressures. It is my opinion that the plan is too heavily weighted in favor of businesses. Further, I believe that Area Plus effectively eliminates intraLATA competition for long distance service which the Commission so recently endorsed in Order No. 93-462. The testimony of Joseph Gillan is persuasive. Under the testimony on page 31 of the Transcript, there is a Table showing that the intrastate access day rate is .1491. The APS Plan rate is .1100 to .0550. The prices proposed under the Area Plus Service clearly undercut those access charges presently charged by Southern Bell to the interexchange carriers. Thereby, competition

is effectively destroyed. Competition within the LATAs is a concept that has recently been found to be in the public interest by this Commission. The Area Plus Plan as adopted by the majority denies all South Carolina customers the benefits of increased choice, and better price performance that competition offers. Further, it is my belief, that losses of \$11.5 million in revenue will clearly impact the future cost of local service and access charges. As referenced by AT&T witness Guedel, if some of the lost revenue from the Plan was instead applied to reduce access charges, then all of Southern Bell's customers would benefit, including those not choosing the Area Plus option. It is my opinion that the Area Plus Plan should be rejected as filed, and the Company should resubmit the Plan with the loss revenue for business callers reduced by approximately one-half ($\frac{1}{2}$) of the original filed Plan.

COMMISSIONER ARTHUR JOINS IN THIS DISSENT.